GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:6751
ANSWERED ON:06.05.2010
SUBSIDIES TO PETROLEUM SECTOR
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether according to International Energy Agency (IEA) in 2008 India spent approximately 40 billion dollar on subsidies to the petroleum sector;

(b) if so, the details of subsidies provided /to be provided in the Eleventh Plan, year-wise; and

(c) the total number of beneficiaries of the subsidies in the country in each State?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI JITIN PRASADA)

(a)&(b): International Energy Agency (IEA) in its Paper on `Petroleum Prices,Taxation and Subsidies in India,June 2009` has made a reference that under-recoveries have escalated alarmingly in recent years, from approximately US $ 10 billion in 2006-07 to an expected total of over US $ 40 billion in 2008-2009. As the said reference by IEA seems to be in the context of total under-recoveries suffered by the Public Sector Oil Marketing Companies (OMCs), the total under-recoveries incurred by OMCs on the sale of sensitive petroleum products i.e. Petrol, Diesel, PDS Kerosene and Domestic LPG, since 2007-08 are given below:

Under-Recovery	Unit	2007-08	2008-09	2009-10
PDS Kerosene	Rs.crore	19,102	28,225	17,364
Domestic LPG	Rs.crore	15,523	17,600	14,257
Petrol	Rs. crore	7,332	5,181	5.151
Diesel	Rs.crore	35,166	52,286	9,279
Total	Rs.crore	77,123	103,292	46,051
Total under-recovery in US $	Billion US $	19,17	22.50	9.71

Gross under-recoveries without considering oil bonds/cash subsidy and upstream assistance.

The details of the fiscal subsidy provided by the Government to the OMCs on PDS Kerosene & Domestic LPG and release of Oil Bonds/cash assistance under the burden sharing mechanism since 2007-08 are given below:

	Unit	2007-08	2008-09	2009-10
Fiscal Subsidy	Rs.crore	2,641	2,688	2.770

Oil Bonds/Cash subsidy Rs.crore 35,290 71,292 12,000

Total Rs.crore 137,931 73,980 14,770

Total in US dollars Billion US $ 9.43 16.11 3.11

The quantum of the under-recoveries to the OMCs depends upon the international oil prices which fluctuate on a daily basis. Hence, the under-recoveries of the OMCs rise and fall in tandem with international oil prices.

(c): The fiscal subsidy and assistance for compensating the OMCs under-recoveries on Petrol, Diesel, PDS Kerosene and Domestic LPG is passed on to aJl consumers in the country. Subsidy/cash assistance is provided to the OMCs based on their sales figures in respect of the four sensitive petroleum products.